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GUSTAV SCHMOLLER'S ECONOMICS.

PROFESSOR SCHMOLLER'S *Grundriss* * is an event of the first importance in economic literature. It appears from later advices that the second and concluding volume of the work is hardly to be looked for at as early a date as the author's expressions in his preface had led us to anticipate. What lies before Professor Schmoller's readers, therefore, in this first volume of the Outlines is but one-half of the compendious statement which he here purposes making of his theoretical position and of his views and exemplification of the scope and method of economic science. It may accordingly seem adventurous to attempt a characterization of his economic system on the basis of this avowedly incomplete statement. And yet such an endeavor is not altogether gratuitous, nor need it in any great measure proceed on hypothetical grounds. The introduction comprised in the present volume sketches the author's aim in an outline sufficiently full to afford a convincing view of the "system" of science for which he speaks; and the two books by which the introduction is followed show Professor Schmoller's method of inquiry consistently carried out, as well as the reach and nature of the theoretical conclusions which he considers to lie within the competency of economic science. And with regard to an economist who is so much of an innovator, — not to say so much of an iconoclast, — and whose work touches the foundations of the science so intimately and profoundly, the interest of his critics and associates must, at least for the present, centre chiefly about these questions as to the scope and nature assigned to the theory by his discussion, as to the range and character of the material of which he makes use, and as to the methods of inquiry

* *Grundriss der allgemeinen Volkswirtschaftslehre.* Erster Teil. Leipzig, 1900.

which his sagacity and experience commend. So, therefore, while the Outlines is yet incomplete, considered as a compendium of details of doctrine, the work in its unfinished state need not thereby be an inadequate expression of Professor Schmoller's relation to economic science.

Herewith for the first time economic readers are put in possession of a fully advised deliverance on economic science at large as seen and cultivated by that modernized historical school of which Professor Schmoller is the authoritative exponent. Valuable and characteristic as his earlier discussions on the scope and method of the science are, they are but preliminary studies and tentative formulations as compared with this maturer work, which not only avows itself a definitive formulation, but has about it an air of finality perceptible at every turn. But this comes near saying that it embodies the sole comprehensive working-out of the scientific aims of the historical school. Discussions partially covering the field, monographs and sketches there are in great number, showing the manner of economic theory that was to be looked for as an outcome of the "historical diversion." Some of these, especially some of the later ones, are extremely valuable in the results they offer, as well as significant of the trend which the science is taking under the hands of the German students.* But a comprehensive work, aiming to formulate a body of economic theory on the basis afforded by the "historical method," has not hitherto been seriously attempted.

To the broad statement just made exception might perhaps be taken in favor of Schaeffle's half-forgotten work of the seventies, together possibly with several other less notable and less consistent endeavors of a similar kind, dating back to the early decades of the school. Probably none of the younger generation of economists

* *E.g.*, K. Bücher's *Entstehung der Volkswirtschaft* and *Arbeit und Rythmus*, R. Hildebrand's *Recht und Sitte*, Knapp's *Grundherrschaft und Rittergut*, Ehrenberg's *Zeitalter der Fugger*, R. Mucke's various works.

would be tempted to cite Roscher's work as invalidating such a statement as the one made above. Although time has been allowed for the acceptance and authentication of these endeavors of the earlier historical economists in the direction of a system of economic theory,— that is to say, of an economic science, — they have failed of authentication at the hands of the students of the science; and there seems no reason to regard this failure as less than definitive.

During the last two decades the historical school has branched into two main directions of growth, somewhat divergent, so that broad general statements regarding the historical economists can be less confidently made to-day than perhaps at any earlier time. Now, as regards the more conservative branch, the historical economists of the stricter observance,— these modern continuers of what may be called the elder line of the historical school can scarcely be said to cultivate a science at all, their aim being not theoretical work. Assuredly, the work of this elder line, of which Professor Wagner is the unquestioned head, is by no means idle. It is work of a sufficiently important and valuable order, perhaps it is indispensable to the task which the science has in hand, but, broadly speaking, it need not be counted with in so far as it touches directly upon economic theory. This elder line of German economics, in its numerous modern representatives, shows both insight and impartiality; but as regards economic theory their work bears the character of eclecticism rather than that of a constructive advance. Frequent and peremptory as their utterances commonly are on points of doctrine, it is only very rarely that these utterances embody theoretical views arrived at or verified by the economists who make them or by such methods of inquiry as are characteristic of these economists. Where these expressions of doctrine are not of the nature of maxims of expediency, they are, as is well known, com-

monly borrowed somewhat uncritically from classical sources. Of constructive scientific work — that is to say, of theory — this elder line of German economics is innocent; nor does there seem to be any prospect of an eventual output of theory on the part of that branch of the historical school, unless they should unexpectedly take advice, and make the scope, and therefore the method, of their inquiry something more than historical in the sense in which that term is currently accepted. The historical economics of the conservative kind seems to be a barren field in the theoretical respect.

So that whatever characteristic articles of general theory the historical school may enrich the science with are to be looked for at the hands of those men who, like Professor Schmoller, have departed from the strict observance of the historical method. A peculiar interest, therefore, attaches to his work as the best accepted and most authoritative spokesman of that branch of historical economics which professes to cultivate theoretical inquiry. It serves to show in what manner and degree this more scientific wing of the historical school have outgrown the original "historical" standpoint and range of conceptions, and how they have passed from a distrust of all economic theory to an eager quest of theoretical formulations that shall cover all phenomena of economic life to better purpose than the body of doctrine received from the classical writers and more in consonance with the canons of contemporary science at large. That this should have been the outcome of the half-century of development through which the school has now passed might well seem unexpected, if not incredible, to any who saw the beginning of that divergence within the school, a generation ago, out of which this modernized, theoretical historical economics has arisen.

Professor Schmoller entered the field early, in the sixties, as a protestant against the aims and ideals then

in vogue in economics. His protest ran not only against the methods and results of the classical writers, but also against the views professed by the leaders of the historical school, both as regards the scope of the science and as regards the character of the laws or generalizations sought by the science. His early work, in so far as he was at variance with his colleagues, was chiefly critical; and there is no good evidence that he then had a clear conception of the character of that constructive work to which it has been his persistent aim to turn the science. Hence he came to figure in common repute as an iconoclast and an extreme exponent of the historical school, in that he was held practically to deny the feasibility of a scientific treatment of economic matters and to aim at confining economics to narrative, statistics, and description. This iconoclastic or critical phase of his economic discussion is now past, and with it the uncertainty as to the trend and outcome of his scientific activity.

To understand the significance of the diversion created by Professor Schmoller as regards the scope and method of economics, it is necessary, very briefly, to indicate the position occupied by that early generation of historical economists from which his teaching diverged, and more particularly those points of the older canon at which he has come to differ characteristically from the views previously in vogue.

As regards the situation in which the historical school, as exemplified by its leaders, was then placed, it is, of course, something of a commonplace that by the end of its first twenty years of endeavor in the reform of economic science the school had, in point of systematic results, scarcely got beyond preliminaries. And even these preliminaries were not in all respects obviously to the purpose. A new and wider scope had been indicated

for economic inquiry, as well as a new aim and method for theoretical discussion. But the new ideals of theoretical advance, as well as the ways and means indicated for their attainment, still had mainly a speculative interest. Nothing substantial had been done towards the realization of the former or the *mise en œuvre* of the latter. The historical economists can scarcely be said at that time to have put their hand to the new engines which they professed to house in their workshop. Apart from polemics and speculation concerning ideals, the serious interest and endeavors of the school had up to that time been in the field of history rather than in that of economics, except so far as the adepts of the new school continued in a fragmentary way to inculcate and, in some slight and uncertain degree, to elaborate the dogmas of the classical writers whom they sought to discredit.

The character of historical economics at the time when Professor Schmoller entered on his work of criticism and revision is fairly shown by Roscher's writings. Whatever may be thought to-day of Roscher's rank as an economist, in contrast with Knies and Hildebrand, it will scarcely be questioned that at the close of the first quarter-century of the life history of the historical school it was Roscher's conception of the scope and method of economics that found the widest acceptance and that best expressed the animus of that body of students who professed to cultivate economics by the historical method. For the purpose in hand Roscher's views may, therefore, be taken as typical, all the more readily since for the very general purpose here intended there are no serious discrepancies between Roscher and his two illustrious contemporaries. The chief difference is that Roscher is more *naïve* and more specific. He has also left a more considerable volume of results achieved by the professed use of his method.

Roscher's professed method was what he calls the "historico-physiological" method. This he contrasts with the

"philosophical" or "idealistic" method. But his air of depreciation as regards "philosophical" methods in economics must not be taken to mean that Roscher's own economic speculations were devoid of all philosophical or metaphysical basis. It only means that his philosophical postulates were different from those of the economists whom he discredits, and that they were regarded by him as self-evident.

As must necessarily be the case with a writer who had neither a special aptitude for nor special training in philosophical inquiries, Roscher's metaphysical postulates are, of course, chiefly tacit. They are the common-sense, commonplace metaphysics afloat in educated German circles in the time of Roscher's youth, — during the period when his growth and education gave him his outlook on life and knowledge and laid the basis of his intellectual habits; which means that these postulates belong to what Höffding has called the "Romantic" schoo of thought, and are of a Hegelian complexion. Roscher being not a professed philosophical student, it is neither easy nor safe to particularize closely as regards his fundamental metaphysical tenets; but, as near as so specific an identification of his philosophical outlook is practicable, he must be classed with the Hegelian "Right." But since the Hegelian metaphysics had in Roscher's youth an unbroken vogue in reputable German circles, especially in those ultra-reputable circles within which lay the gentlemanly life and human contact of Roscher, the postulates afforded by the Hegelian metaphysics were accepted simply as a matter of course, and were not recognized as metaphysical at all. And in this his metaphysical affiliation Roscher is fairly typical of the early historical school of economics.

The Hegelian metaphysics, in so far as bears upon the matter in hand, is a metaphysics of a self-realizing life process. This life process, which is the central and substantial fact of the universe, is of a spiritual nature,—

"spiritual," of course, being here not contrasted with "material." The life process is essentially active, self-determining, and unfolds by inner necessity,— by necessity of its own substantially active nature. The course of culture, in this view, is an unfolding (exfoliation) of the human spirit; and the task which economic science has in hand is to determine the laws of this cultural exfoliation in its economic aspect. But the laws of the cultural development with which the social sciences, in the Hegelian view, have to do are at one with the laws of the processes of the universe at large; and, more immediately, they are at one with the laws of the life process at large. For the universe at large is itself a self-unfolding life process, substantially of a spiritual character, of which the economic life process which occupies the interest of the economist is but a phase and an aspect. Now, the course of the processes of unfolding life in organic nature has been fairly well ascertained by the students of natural history and the like; and this, in the nature of the case, must afford a clew to the laws of cultural development, in its economic as well as in any other of its aspects or bearings,— the laws of life in the universe being all substantially spiritual and substantially at one. So we arrive at a physiological conception of culture after the analogy of the ascertained physiological processes seen in the biological domain. It is conceived to be physiological after the Hegelian manner of conceiving a physiological process, which is, however, not the same as the modern scientific conception of a physiological process.*

*A physiological conception of society, or of the community, had been employed before,— *e.g.*, by the Physiocrats,— and such a concept was reached also by English speculators — *e.g.*, Herbert Spencer — during Roscher's lifetime; but these physiological conceptions of society are reached by a different line of approach from that which led up to the late-Hegelian physiological or biological conception of human culture as a spiritual structure and process. The outcome is also a different one, both as regards the use made of the analogy and as regards the theoretical results reached by its aid.

It may be remarked, by the way, that Neo-Hegelianism, of the "Left,"

Since this quasi-physiological process of cultural development is conceived to be an unfolding of the self-realizing human spirit, whose life history it is, it is of the nature of the case that the cultural process should run through a certain sequence of phases — a certain life history prescribed by the nature of the active, unfolding spiritual substance. The sequence is determined on the whole, as regards the general features of the development, by the nature of life on the human plane. The history of cultural growth and decline necessarily repeats itself, since it is substantially the same human spirit that seeks to realize itself in every comprehensive sequence of cultural development, and since this human spirit is the only factor in the case that has substantial force. In its generic features the history of past cultural cycles is, therefore, the history of the future. Hence the importance, not to say the sole efficacy for economic science, of an historical scrutiny of culture. A well-authenticated sequence of cultural phenomena in the history of the past is conceived to have much the same binding force for the sequence of cultural phenomena in the future as a "natural law," as the term has been understood in physics or physiology, is conceived to have as regards the course of phenomena in the life history of the human body; for the onward cultural course of the human spirit, actively unfolding by inner necessity, is an organic process, following logically from the nature of this self-realizing spirit. If the process is conceived to meet with obstacles or varying conditions, it adapts itself to the circumstances in any

likewise gave rise to a theory of a self-determining cultural exfoliation; namely, the so-called "Materialistic Conception of History" of the Marxian socialists. This Marxian conception, too, had much of a physiological air; but Marx and his coadjutors had an advantage over Roscher and his following, in that they were to a greater extent schooled in the Hegelian philosophy, instead of being uncritical receptacles of the Romantic commonplaces left by Hegelianism as a residue in popular thought. They were therefore more fully conscious of the bearing of their postulates and less *naïve* in their assumptions of self-sufficiency.

given case, and it then goes on along the line of its own logical bent until it eventuates in the consummation given by its own nature. The environment, in this view, if it is not to be conceived simply as a function of the spiritual force at work, is, at the most, of subsidiary and transient consequence only. Environmental conditions can at best give rise to minor perturbations; they do not initiate a cumulative sequence which can profoundly affect the outcome or the ulterior course of the cultural process. Hence the sole, or almost sole, importance of historical inquiry in determining the laws of cultural development, economic or other.

The working conception which this romantic-historical school had of economic life, therefore, is, in its way, a conception of development, or evolution; but it is not to be confused with Darwinism or Spencerianism. Inquiry into the cultural development under the guidance of such preconceptions as these has led to generalizations, more or less arbitrary, regarding uniformities of sequence in phenomena, while the causes which determine the course of events and which make the uniformity or variation of the sequence have received but scant attention. The "natural laws" found by this means are necessarily of the nature of empiricism, colored by the bias or ideals of the investigator. The outcome is a body of aphoristic wisdom, perhaps beautiful and valuable after its kind, but quite fatuous when measured by the standards and aims of modern science. As is well known, no substantial theoretical gain was made along this romantic-historical line of inquiry and speculation, for the reason, apparently, that there are no cultural laws of the kind aimed at, beyond the unprecise generalities that are sufficiently familiar beforehand to all passably intelligent adults.

It has seemed necessary to offer this much in characterization of that "historical" aim and method which af-

forded a point of departure for Professor Schmoller's work of revision. When he first raised his protest against the prevailing ideals and methods, as being ill-advised and not thorough-going, he does not seem himself to have been entirely free from this Romantic, or Hegelian, bias. There is evidence to the contrary in his early writings.* It cannot even be said that his later theoretical work does not show something of the same animus, as, *e.g.*, when he assumes that there is ameliorative trend in the course of cultural events.† What has differentiated his work from that of the group of writers which has above been called the elder line of historical economics is the weakness or relative absence of this bias in his theoretical work. Particularly, he has refused to bring his researches in the field of theory definitively to rest on ground given by the Hegelian, or Romantic, school of thought. He was from the first unwilling to accept classificatory statements of uniformity or of normality as an adequate answer to questions of scientific theory. He does not commonly deny the truth or the importance of the empirical generalizations aimed at by the early historical economists. Indeed, he makes much of them and has been notoriously urgent for a full survey of historical data and a painstaking digestion of materials with a view to a comprehensive work of empirical generalization. As is well known, in his earlier work of criticism and methodological controversy he was led to contend that for at least one generation economists must be content to spend their energies on descriptive work of this kind; and he thereby earned the reputation o aiming to reduce economics to a descriptive knowledge of details and to confine its method to the Baconian ground of generalization by simple enumeration. But this exhaustive historical scrutiny and description of detail has always, in Professor Schmoller's

* *E.g.*, in his controversy with Treitschke. See *Grundfragen der Socialpolitik und der Volkswirtschaftslehre*, particularly pp. 24, 25.

† *E.g.*, *Grundriss*, pp. 225, 409, 411.

view, been preliminary to an eventual theory of economic life. The survey of details and the empirical generalizations reached by its help are useful for the scientific purpose only as they serve the end of an eventual formulation of the laws of causation that work out in the process of economic life. The ulterior question, to which all else is subsidiary, is a question of the causes at work rather than a question of the historical uniformities observable in the sequence of phenomena. The scrutiny of historical details serves this end by defining the scope and character of the several factors causally at work in the growth of culture, and, what is of more immediate consequence, as they are at work in the shaping of the economic activities and the economic aims of men engaged in this unfolding cultural process as it lies before the investigator in the existing situation.

In the preliminary work, then, of defining and characterizing the causes or factors of economic life, historical investigation plays a large, if not the largest, part; but it is by no means the sole line of inquiry to which recourse is had for this purpose, Nor, it may be added, is this the sole use of historical inquiry. To the like end a comparative study of the climatic, geographical, and geological features of the community's environment is drawn into the inquiry; and more particularly there is a careful study of ethnographic parallels and a scrutiny of the psychological foundations of culture and the psychological factors involved in cultural change.

Hence it appears that Professor Schmoller's work differs from that of the elder line of historical economics in respect of the scope and character of the preliminaries of economic theory no less than in the ulterior aim which he assigns the science. It is only by giving a very broad meaning to the term that this latest development of the science can be called an "historical" economics. It is Darwinian rather than Hegelian, although with the ear-marks

of Hegelian affiliation visible now and again; and it is "historical" only in a sense similar to that in which a Darwinian account of the evolution of economic institutions might be called historical. For the distinguishing characteristic of Professor Schmoller's work, that wherein it differs from the earlier work of the economists of his general class, is that it aims at a Darwinistic account of the origin, growth, persistence, and variation of institutions, in so far as these institutions have to do with the economic aspect of life either as cause or as effect. In much of what he has to say, he is at one with his contemporaries and predecessors within the historical school; and he shows at many points both the excellences and weaknesses due to his "historical" antecedents. But his striking and characteristic merits lie in the direction of a post-Darwinian, causal theory of the origin and growth of species in institutions. In this line of theoretical inquiry Professor Schmoller is not alone, nor does he, perhaps, go so far or with such singleness of purpose in this direction as some others do at given points; but the seniority belongs to him, and he is also in the lead as regards the comprehensiveness of his work.

But to return to the *Grundriss*, to which recourse must be had to substantiate the characterization here offered. The entire work as projected comprises an Introduction and four Books, of which the introduction and the first two books are contained in the volume already published. The two books yet to be published, in a second volume, promise to be of a length corresponding to the first two. The present volume should accordingly contain approximately three-fifths of the whole, counted by bulk. The scheme of the work is as follows: An Introduction (pp. 1–124) treats of (1) the Concept of Economics, (2) the Psychical, Ethical (or Conventional, *sittliche*), and Legal Foundations of Economic Life and of Culture, and (3) the

Literature and Method of the Science. This is followed by Book I. (pp. 125–228), on Land, Population, and the Industrial Arts, considered as collective phenomena and factors in economic life, and Book II. (pp. 229–457), on the Constitution of Economic Society, its chief organs and the causal factors to which they are due. Books III. and IV. are to deal with the Circulation of Goods and the Distribution of Income, and to give a genetic account of the Development of Economic Society.

The course outlined differs noticeably from what has been customary in treatises on economics. The point of departure is a comprehensive general survey of the factors which enter into the growth of culture, with special reference to their economic bearing. This survey runs chiefly on psychological and ethnographic ground, historical inquiry in the stricter sense being relatively scant and obviously of secondary consequence. It is followed up with a more detailed and searching discussion of the factors engaged in the economic process in any given situation. The factors, or "collective phenomena," in question are not the time-honored Land, Labor, and Capital, but rather population, material environment, and technological conditions. Here, too, the discussion has to do with ethnographic rather than with properly historical material. The question of population concerns not the numerical force of laborers, but rather the diversity of race characteristics and the bearing of race endowment upon the growth of economic institutions. The discussion of the material environment, again, has relatively little to say of the fertility of the soil, and gives much attention to diversities of climate, geographical situation, and geological and biological conditions. And this first book closes with a survey of the growth of technological knowledge and the industrial arts.

In all this the significant innovation lies not so much in the character of the details. They are for the most

part commonplace enough as details of the sciences from which they are borrowed. They are shrewdly chosen and handled in such a way as to bring out their bearing upon the ulterior questions about which the economist's interest centres; but there is, as might be expected, little attempt to go back of the returns given by specialists in the several lines of research that are laid under contribution. But the significance of it all lies rather in the fact that material of this kind should have been drawn upon for a foundation for economic theory, and that it should have seemed necessary to Professor Schmoller to make this introductory survey so comprehensive and so painstaking as it is. Its meaning is that these features of human nature and these forces of nature and circumstances of environment are the agencies out of whose interaction the economic situation has arisen by a cumulative process of change, and that it is this cumulative process of development, and its complex and unstable outcome, that are to be the economist's subject-matter. The theoretical outcome for which such a foundation is prepared is necessarily of a genetic kind. It necessarily seeks to know and explain the structure and functions of economic society in terms of how and why they have come to be what they are, not, as so many economic writers have explained them, in terms of what they are good for and what they ought to be. It means, in other words, a deliberate attempt to substitute an inquiry into the efficient causes of economic life in the place of empirical generalizations, on the one hand, and speculations as to the eternal fitness of things, on the other hand.

It follows from the nature of the case that an economics of this genetic character, working on grounds of the kind indicated, comprises nothing in the way of advice or admonition, no maxims of expediency, and no economic, political, or cultural creed. How nearly Professor Schmoller conforms to this canon of continence is

another question. The above indicates the scope of such doctrines as are consistently derivable from the premises with which the work under review starts out, not the scope of its writer's speculations on economic matters.

The second book, by the help of prehistoric and ethnographic material as well as history, deals with the evolution of the methods of social organization, — the growth of institutions in so far as this growth shapes or is shaped by the exigencies of economic life. The "organs," or social-economic institutions, whose life history is passed in review are: the family; the methods of settlement and domicile, in town and country; the political units of control and administration; differentiation of functions between industrial and other classes and groups; ownership, its growth and distribution; social classes and associations; business enterprise, industrial organizations and corporations.

As regards the singleness of purpose with which Professor Schmoller has carried out the scheme of economic theory for which he has sketched the outlines and pointed the way, it is not possible to speak with the same confidence as of his preliminary work. It goes without saying that this further work of elaboration is excellent after its kind; and this excellence, which was to be looked for at Professor Schmoller's hands, may easily divert the reader's attention from the shortcomings of the work in respect of kind rather than of quality. Now, while a broad generalization on this head may be hazardous and is to be taken with a large margin, still, with due allowance, the following generalization will probably stand so far as regards this first volume. So long as the author is occupied with the life history of institutions down to contemporary developments, so long his discussion proceeds by the dry light of the scientific interest simply, as the term "scientific" is understood among the modern adepts of the natural sciences; but so soon as he comes to close quarters with

the situation of to-day, and reaches the point where a dispassionate analysis and exposition of the causal complex at work in contemporary institutional changes should begin, so soon the scientific light breaks up into all the colors of the rainbow, and the author becomes an eager and eloquent counsellor, and argues the question of what ought to be and what modern society must do to be saved. The argument at this point loses the character of a genetic explanation of phenomena, and takes on the character of appeal and admonition, urged on grounds of expediency, of morality, of good taste, of hygiene, of political ends, and even of religion. All this, of course, is what we are used to in the common run of writers of the historical school; but those students whose interest centres in the science rather than in the ways and means of maintaining the received cultural forms of German society have long fancied they had ground to hope for something more to the purpose when Professor Schmoller came to put forth his great systematic work. Brilliant and no doubt valuable in its way and for its end, this digression into homiletics and reformatory advice means that the argument is running into the sands just at the stage where the science can least afford it. It is precisely at this point, where men of less years and breadth and weight would find it difficult to hold tenaciously to the course of cause and effect through the maze of jarring interests and sentiments that make up the contemporary situation, — it is precisely at this point that a genetic theory of economic life most needs the guidance of the firm, trained, dispassionate hand of the master. And at this point his guidance all but fails us.

What has just been said applies generally to Professor Schmoller's treatment of contemporary economic development, and it should be added that it applies at nearly all points with more or less of qualification. But the qualifications required are not large enough to belie the gen-

eral characterization just offered. It would be asking too large an indulgence to follow the point up in this place through all the discussions of the volume that fairly come under this criticism. The most that may be done is to point for illustration to the handling which two or three of the social-economic "organs" receive. So, for instance, Book II. opens with an account of the family and its place and function in the structure of economic society. The discussion proceeds along the beaten paths of ethnographic research, with repeated and well-directed recourse to the psychological knowledge that Professor Schmoller always has well in hand. Coming down into recent times, the discussion still proceeds to show how the large economic changes of late mediæval and early modern times acted to break down the patriarchal régime of the earlier culture; but at the same time there comes into sight (pp. 245–249) a bias in favor of the recent as against the earlier form of the household. The author is no longer content to show the exigencies which set the earlier patriarchal household aside in favor of the modified patriarchal household of more recent times. He also offers reasons why the later, modified form is intrinsically the more desirable; reasons, it should perhaps be said, which may be well taken, but which are beside the point so far as regards a scientific explanation of the changes under discussion.

The closing paragraphs of the section (91) dwell with a kindly insistence on the many elements of strength and beauty possessed by the form of household organization handed down from the past generation to the present. The facts herewith recited by the author are, no doubt, of weight, and must be duly taken account of by any economist who ventures on a genetic discussion of the present situation and the changing fortunes of the received household. But Professor Schmoller has failed even to point out in what manner these elements of

strength and beauty have in the recent past or may in the present and immediate future causally affect the fortunes of the institution. The failure to turn the material in question to scientific account becomes almost culpable in Professor Schmoller, since there are few, if any, who are in so favorable a position to outline the argument which a theoretical account of the situation at this point must take. Plainly, as shown by Professor Schmoller's argument, economic exigencies are working an incessant cumulative change in the form of organization of the modern household; but he has done little towards pointing out in what manner and with what effect these exigencies come into play. Neither has he gone at all into the converse question, equally grave as a question of economic theory, of how the persistence, even though qualified, of the patriarchal family has modified and is modifying economic structure and function at other points and qualifying or accentuating the very exigencies themselves to which the changes wrought in the institution are to be traced. Plainly, too, the strength and beauty of the traditionally received form of the household — that is to say, the habits of life and of complacency which are bound up with this household — are elements of importance in the modern situation as affects the degree of persistence and the direction of change which this institution shows under modern circumstances. They are psychological facts, facts of habit and propensity and spiritual fitness, the efficiency of which as live forces making for survival or variation is in this connection probably second to that of no other factors that could be named. We had, therefore, almost a right to expect that Professor Schmoller's profound and comprehensive erudition in the fields of psychology and cultural growth should turn these facts to better ends than a preachment concerning an intrinsically desirable consummation.

Regarding the present visible disintegration of the fam-

ily, and the closely related "woman question," Professor Schmoller's observations are of much the same texture. He notes the growing disinclination to the old-fashioned family life on the part of the working population, and shows that there are certain economic causes for this growth or deterioration of sentiment. What he has to offer is made up of the commonplaces of latter-day social-economic discussion, and is charged with a strong undertone of deprecation. What the trend of the causes at work to alter or fortify this body of sentiment may be counts for very little in what he says on the present movement or on the immediate future of the institution. The best he has to offer on the "woman question" is an off-hand reference of the ground of sentiment on which it rests to a recrudescence of the eighteenth century spirit of *égalité*. This notion of the equality of the sexes he refutes in graceful and affecting terms, and he pleads for the unbroken preservation of woman's sphere and man's primacy; as if the matter of superiority or inferiority between the sexes could conceivably be anything more than a conventional outcome of the habits of life imposed upon the community by the circumstances under which they live. How it has come to pass that under the economic exigencies of the past the physical and temperamental diversity between the sexes has been conventionally construed into a superiority of the man and an inferiority of the woman, — on this head he has no more to say or to suggest than on the correlate question of why this conventional interpretation of the facts has latterly not been holding its ancient ground. The discussion of the family and of the relation of the sexes, in modern culture, is marked throughout by unwillingness or inability to penetrate behind the barrier of conventional finality.

The discussion of the family just cited occupies the opening chapter of Book II. For a further instance of Professor Schmoller's handling of a modern economic

problem, reference may be had to the closing chapter of Book I., on the "Development of Technological Expedients and its Economic Significance," but more particularly the sections (84–86) on the modern machine industry (pp. 211–228). In this discussion, also, the point of interest is the attention given to the latter-day phenomena of machine industry, and the author's method and animus in dealing with them. There is (pp. 211–218) a condensed and competent presentation of the main characteristics of the modern "machine age," followed (pp. 218–228) by a critical discussion of its cultural value. The customary eulogy, but with more than the customary discrimination, is given to the advantages of the régime of the machine in point of economy, creature comforts, and intellectual sweep; and it is pointed out how the régime of the machine has brought about a redistribution of wealth and of population and a reorganization and redistribution of social and economic structures and functions. It is pointed out (p. 223) that the gravest social effect of the machine industry has been the creation of a large class of wage laborers. The material circumstances into which this class has been thrown, particularly in point of physical comfort, are dealt with in a sober and discriminating way; and it is shown (p. 224) that in the days of its fuller development the machine's régime has evolved a class of trained laborers who not only live in comfort, but are sound and strong in mind and body. But with the citation of these facts the pursuit of the chain of cause and effect in this modern machine situation comes to an end. The remainder of the space given to the subject is occupied with extremely sane and well-advised criticism, moral and æsthetic, and indications of what the proper ideals and ends of endeavor should be.

Professor Schmoller misses the opportunity he here has of dealing with this material in a scientific spirit and with some valuable results for economic theory. He could, it

is not too bold to assume, have sketched for us an effective method and line of research to be pursued, for instance, in following up the scientific question of what may be the cultural, spiritual effects of the machine's régime upon this large body of trained workmen, and what this body of trained workmen in its turn counts for as a factor in shaping the institutional growth of the present and the economic and cultural situation of to-morrow. Work of this kind, there is reason to believe, Professor Schmoller could have done with better effect than any of his colleagues in the science; for he is, as already noticed above, possessed of the necessary qualifications in the way of psychological training, broad knowledge of the play of cause and effect in cultural growth, and an ability to take a scientific point of view. Instead of this he harks back again to the dreary homiletical waste of the traditional *Historismus*. It seems as if a topic which he deals with as an objective matter so long as it lies outside the sphere of every-day humanitarian and social solicitude, becomes a matter to be passed upon by conventional standards of taste, dignity, morality, and the like, so soon as it comes within the sweep of latter-day German sentiment.

This habit of treating a given problem from these various and shifting points of view at times gives a kaleidoscopic effect that is not without interest. So in the matter of the technically trained working population in the machine industry, to which reference has already been made, something of an odd confusion appears when expressions taken from diverse phases of the discussion are brought side by side. He speaks of this class at one point (p. 224) as "sound, strong, spiritually and morally advancing," superior in all these virtues to the working classes of other times and places. At another point (pp. 250–253) he speaks of the same popular element, under the designation of "socialists," as perverse, degenerate, and reactionary. This latter characterization may

be substantially correct, but it proceeds on grounds of taste and predilection, not on grounds of scientifically determinable cause and effect. And the two characterizations apply to the same elements of population; for the substantial core and tone-giving factor of the radical socialistic element in the German community is, notoriously, just this technically trained population of the industrial towns where the discipline of the machine industry has been at work with least mitigation. The only other fairly isolable element of a radical socialistic complexion is found among the students of modern science. Now, further, in his speculations on the relation of technological knowledge to the advance of culture, Professor Schmoller points out (*e.g.*, p. 226) that a high degree of culture connotes, on the whole, a high degree of technological efficiency, and conversely. In this connection he makes use of the terms *Halbkulturvölker* and *Ganzkulturvölker* to designate different degrees of cultural maturity. It is curious to reflect, in the light of what he has to say on these several heads, that if the socialistically affected, technically trained population of the industrial towns, together with the radical-socialistic men of science, were abstracted from the German population, leaving substantially the peasantry, the slums, and the aristocracy great and small, the resulting German community would unquestionably have to be classed as a *Halbkulturvolk* in Professor Schmoller's scheme. Whereas the elements abstracted, if taken by themselves, would as unquestionably be classed among the *Ganzkulturvölker*.

In conclusion, one may turn to the concluding chapter (Book II., Chapter vii.) of the present volume for a final illustration of Professor Schmoller's method and animus in handling a modern economic problem. All the more so as this chapter on business enterprise better sustains that scientific attitude which the introductory outline leads the reader to look for throughout. It shows how modern

business enterprise is in the main an outgrowth of commercial activity, as also that it has retained the commercial spirit down to the present. The motive force of business enterprise is the self-seeking quest of dividends; but Professor Schmoller shows, with more dispassionate insight than many economists, that this self-seeking motive is hemmed in and guided at all points in the course of its development by considerations and conventions that are not of a primarily self-seeking kind. He is not content to point to the beneficent working of a harmony of interests, but sketches the play of forces whereby a self-seeking business traffic has come to serve the interests of the community. Business enterprise has gradually emerged and come into its present central and dominant position in the community's industry as a concomitant of the growth of individual ownership and pecuniary discretion in modern life. It is therefore a phase of the modern cultural situation; and its survival and the direction of its further growth are therefore conditioned by the exigencies of the modern cultural situation. What this modern cultural situation is and what are the forces, essentially psychological, which shape the further growth of the situation, no one is better fitted to discuss than Professor Schmoller; and he has also given valuable indications (pp. 428–457) of what these factors are and how the inquiry into their working must be conducted. But even here, where a dispassionate tracing-out of the sequence of cause and effect should be easier to undertake, because less readily blurred with sentiment, than in the case, *e.g.*, of the family, the work of tracing the developmental sequence tapers off into advice and admonition proceeding on the assumption that the stage now reached is, or at least should be, final. The attention in the later pages diverges from the process of growth and its conditioning circumstances to the desirability of maintaining the good results attained and to the ways and means of holding fast that which is good in the

outcome already achieved. The question to which an answer is sought in discussing the present phase of the development is not a question as to what is taking place as respects the institution of business enterprise, but rather a question as to what form should be given to an optimistic policy of fostering business enterprise and turning it to account for the common good. At this point, as elsewhere, though perhaps in a less degree than elsewhere, the existing form of the institution is accepted as a finality. All this is disappointing in view of the fact that at no other point do modern economic institutions bear less of an air of finality than in the forms and conventions of business organizations and relations. As Professor Schmoller remarks (p. 455), the scope and character of business undertakings necessarily conform to the circumstances of the time, not to any logical scheme of development from small to great or from simple to complex. So also, one might be tempted to say, the expediency and the chance of ultimate survival of business enterprise is itself an open question, to be answered by a scrutiny of the forces that make for its survival or alteration, not by advice as to the best method of sustaining and controlling it.

What has here been said in criticism of Professor Schmoller's work, particularly as regards his departure from the path of scientific research in dealing with present-day phenomena, may, of course, have to be qualified, if not entirely set aside, when his work is completed with the promised genetic survey of modern institutions to be set forth in the concluding fourth book. Perhaps it may even be said that there is fair hope, on general grounds, of such a consummation; but the present volume does not afford ground for a confident expectation of this kind. It is perhaps needless, perhaps gratuitous, to add that the strictures offered indicate, after all, but relatively slight shortcomings in a work of the first magnitude.

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